



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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February 18, 2000

CERTIFIED RETURN RECEIPT
P 074 976 810

O. Jay Gatten
Pearl Queen Perlite Corporation
472 North Main Street
Kaysville, Utah 84037-6453

Re: Cancellation of Reclamation Surety, Pearl Queen Perlite Corporation, Pearl Queen Perlite Mine,
M/001/027, Beaver County, Utah

Dear Mr. Gatten:

On February 16, 2000, we received notification from Key Bank that they will not renew the Letter of Credit (LOC) # [REDACTED], posted as reclamation surety for Pearl Queen Perlite Corporation's Pearl Queen Perlite Mine, located in Beaver County, Utah.

The Utah Mined Land Reclamation Act requires an adequate surety be maintained for all large mining operations until the mine site is successfully reclaimed, allowing bond release. We were informed that the LOC will be canceled on June 30, 2000. You are hereby advised that we must receive a replacement surety prior to April 30, 2000 or we will be forced to start surety forfeiture proceedings.

It is our understanding that you are selling this project to a new company (Basin Perlite Company). At the time of transfer the new company will have to post a replacement surety and provide a new Reclamation Contract. If the transfer takes place prior to April 30th, that would alleviate you having to replace the surety. Please contact me at (801) 538-5286 or Joelle Burns at 538-5291 to discuss this situation further and to inform us of your intentions. Thank you for your consideration and prompt attention to this important permitting requirement.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

0001

jb
cc: Tom Mitchell, AAG's Office
Mary Ann Wright, DOGM
M01-27-surety